PREPARED BY: DATE PREPARED: PHONE: Doug Gibbs January 21, 2013 402-471-0051

**LB 34** 

Revision: 00

## FISCAL NOTE

**LEGISLATIVE FISCAL ANALYST ESTIMATE** 

ESTIMATE OF FISCAL IMPACT - STATE AGENCIES (See narrative for political subdivision estimates)

FY 2013-14

EXPENDITURES

REVENUE

EXPENDITURES

REVENUE

GENERAL FUNDS

CASH FUNDS

OTHER FUNDS

TOTAL FUNDS

Any Fiscal Notes received from state agencies and political subdivisions are attached following the Legislative Fiscal Analyst Estimate.

LB 34 amends several sections of the Nebraska Advantage Act.

Section 77-5709 clarifies that a salaried employee who receives a predetermined amount of compensation each pay period is deemed to be paid for forty hours per week during the pay period. The salaried employee would count as one employee under the Act.

The bill amends Section 77-5719 to redefine "taxpayer" by striking language referring to various types of business entities and inserting the word "entity." The Department of Revenue indicates that this will remove limitations on the ownership of pass-through entities. A "pass-through" entity is a business structure that is used to reduce the effects of double taxation by allocating corporate income among the owners and income taxes are then levied at the individual owners' level.

Section 77-5720 is amended to clarify the definition of "year" to mean "calendar year." Other sections of the Act are then changed to harmonize language to the new definition of year. This will standardize all time periods throughout the Act as calendar years. This will also standardize the counting of new employees and will mean that time periods aren't shortened by short tax periods.

Section 77-5723 is amended by the bill to provide a presumption that all locations of a business are interdependent when the project includes all of the taxpayer's locations in Nebraska.

The bill amends section 77-5728 to allow the Department of Revenue to disclose certain information to an acquiring taxpayer regarding the project.

The Department of Revenue indicates there is no fiscal impact to the General Fund as a result of LB 34 and the cost to implement the proposed changes will be minimal.

We agree with the Department's estimate of fiscal impact and cost.

IMPACT TO POLITICAL SUBDIVISIONS:

No fiscal impact.

State Agency Estimate											
State Agency Name: Department of Revenue				Date Due LFA:							
Date Prepared:			Phone: 471-5700								
FY 2013	FY 2013-2014		4-201 <u>5</u>	FY 2015-2016							
<b>Expenditures</b>	Revenue	Expenditures	Revenue	<b>Expenditures</b>	Revenue						
	\$ 0		\$ 0		\$ 0						
	\$ 0		\$ 0		\$ 0						
	FY 2013	FY 2013-2014  Expenditures Revenue \$ 0	Date Prepared:   FY 2013-2014   FY 2014	Date Prepared:   P	Date Due LFA:   Date Prepared:   Phone: 471-5700						

LB 34 makes the following changes to the Nebraska Advantage Act.

This bill defines the term "taxpayer" to remove limitations on the ownership of pass-through entities. Political subdivisions, public utilities, and certain nonprofits remain ineligible to participate in the Act.

This bill changes the definition of the term "year," which means the taxable year of the taxpayer, to "calendar year." This standardizes all of the time periods under the Act to be calendar years. This change means that the time periods are not shortened by short tax periods. The calendar year also simplifies the computation of the number of new employees because it can be tied to state and federal employment filings.

This bill defines salaried employees as those that are deemed to work 40 hours a week and therefore count as one employee.

This bill presumes any locations to be interdependent when the project includes all locations in this state of the taxpayer.

This bill allows the Department to disclose information to an acquiring taxpayer about the project and prior benefits that is reasonably necessary to determine the future incentives and liabilities of the project.

It is estimated that there will be no impact to the General Fund to implement this proposal.

It is estimated that the costs to the Department to implement this proposal will be minimal.

Major Objects of Expenditure											
Class Code	Classification Title	13-14 <u>FTE</u>	14-15 <u>FTE</u>	15-16 <u>FTE</u>	13-14 Expenditures	14-15 <u>Expenditures</u>	15-16 <u>Expenditures</u>				
Benefits											
Capital Outlay											
	nts										
Total		•••••		•••••							